SGGF III

Saskatchewan Government Growth Fund III Ltd.

Creating economic wealth and diversification
through investment of immigrant investor capital in Saskatchewan

2009 FINANCIAL STATEMENTS

SASKATCHEWAN GOVERNMENT
GROWTH FUND

AUDITORS' REPORT

To the shareholder of Saskatchewan Government Growth Fund III Ltd.:

We have audited the statement of financial position of Saskatchewan Government Growth Fund III Ltd. as at December 31, 2009, and the statements of operations and comprehensive loss, deficit and accumulated other comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Regina, Saskatchewan
February 8, 2010

Saskatchewan Government Growth Fund III Ltd.
Statement of Financial Position

December 31	2009	2008
Assets		
Cash	**$ 129,183**	$ 208,881
Other investments (Note 4)	**36,936**	5,398,995
	$ 166,119	$ 5,607,876
Liabilities and Shareholder's Deficiency		
Accounts payable and accrued liabilities	**$ 24,387**	$ 23,131
Commissions payable (Note 5)	**18,500**	18,500
Subscription deposits (Note 6)	**25,010**	25,010
Investor notes (Note 7)	**9,265,000**	9,265,000
	9,332,897	9,331,641
Share capital (Note 8)	**2,000**	2,000
Deficit and other accumulated comprehensive income	**(9,168,778)**	(3,725,765)
	(9,166,778)	(3,723,765)
	$ 166,119	$ 5,607,876

See accompanying notes to the financial statements.

On behalf of the Board:

Roland Hardy
Director

Robert Spelliscy
Director

Saskatchewan Government Growth Fund III Ltd.
Statement of Operations and Comprehensive Loss

Year ended December 31	2009	2008
Revenues		
Income from cash	**$ 1,245**	$ 8,442
Decrease in fair value of investments	**(5,362,059)**	(1,601,791)
Net revenue	**(5,360,814)**	(1,593,349)
Expenses		
Administration (Note 10)	**82,199**	125,371
	82,199	125,371
Net loss for the year	**(5,443,013)**	(1,718,720)
Other comprehensive income	**-**	-
Comprehensive loss for the year	**$ (5,443,013)**	$ (1,718,720)

See accompanying notes to the financial statements.

Saskatchewan Government Growth Fund III Ltd.
Statement of Deficit and Accumulated Other Comprehensive Income

Year ended December 31	2009	2008
Deficit, beginning of year	**$ (3,725,765)**	$ (2,007,045)
Net loss for the year	**(5,443,013)**	(1,718,720)
Deficit, end of year	**(9,168,778)**	(3,725,765)
Accumulated other comprehensive income, beginning of year	-	-
Other comprehensive income for the year	-	-
Accumulated other comprehensive income, end of year	-	-
Total deficit and accumulated other comprehensive income	**$ (9,168,778)**	$ (3,725,765)

See accompanying notes to the financial statements.

Saskatchewan Government Growth Fund III Ltd.
Statement of Cash Flows

Year ended December 31	2009	2008
Cash flows from operating activities		
Net loss for the year	**$ (5,443,013)**	$ (1,718,720)
Items not affecting cash:		
Decrease in fair value of investments	**5,362,059**	1,601,791
Net change in accounts payable and accrued liabilities	**1,256**	678
Cash flows from operating activities	**(79,698)**	(116,251)
Cash, beginning of year	**208,881**	325,132
Cash, end of year	**$ 129,183**	$ 208,881

See accompanying notes to the financial statements.

Saskatchewan Government Growth Fund III Ltd.
Notes to Financial Statements
December 31, 2009

1. Status of the Corporation

Saskatchewan Government Growth Fund III Ltd. ("SGGF III" or the "Fund") was incorporated in October 1994 under *The Business Corporations Act* (Saskatchewan) and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program ("IIP"). Under this program, the Fund was established to raise $35,000,000 through a note offering. Each note is a 2% unsecured, subordinated debt instrument with a principal amount of $250,000, repayable in five years provided that 70% of the proceeds are invested in eligible businesses ("Notes") throughout the five year period. The Fund commenced operations in 1994. The marketing period for the Fund ended on July 31, 1997.

The Confidential Offering Memorandum ("Memorandum") and the IIP prescribe various conditions which qualify an investment as an eligible business, including a requirement that the business be Saskatchewan based and have assets, including assets of associated companies, of less than $35 million.

The Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of the Fund or of a return of an investor's original investment. Neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the Notes.

As described above, the Fund's purpose is to issue the Notes and make investments in accordance with the IIP. When the Notes mature, the Fund divests its investments, in due course, as appropriate opportunities arise. The investments are the Fund's only source of revenue. The Fund's activities will cease when all investments have been divested. The proceeds will be applied to the balances outstanding under the Notes. As described in note 7, it is unlikely that the Fund will be able to repay the full principal amount of Notes; however, in the event that there are residual resources from the liquidation of investments after payment of the full principal amount of the Notes, then such residual amounts will be distributed to the shareholder.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Changes to accounting standards

In June 2009, the Canadian Accounting Standards Board approved amendments to CICA Handbook Section 3862 "Financial Statements – Disclosures". The amendments require publically accountable enterprises to classify fair value measurements based on a three-level fair value hierarchy. "Level 1" financial instruments are valued using quoted prices (unadjusted) in active markets for identical assets or liabilities; "Level 2" financial instruments are valued using observable inputs other than quoted prices included in Level 1; "Level 3" financial instruments are valued using unobservable inputs for the asset or liability. The Fund

Saskatchewan Government Growth Fund III Ltd.
Notes to Financial Statements (continued)
December 31, 2009

has classified its cash as Level 1, and its other investments as Level 3. Disclosures related to Level 3 investments are included in note 4. Adoption of the amendments did not affect the financial results of the Fund.

Financial instruments

All financial instruments are classified as one of: (a) held-to-maturity; (b) loans and receivables; (c) held-for-trading; (d) available-for-sale; or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized in comprehensive income. Accumulated other comprehensive income is reported as a separate component of shareholder's equity. Embedded derivatives are accounted for as separate financial instruments and classified in accordance with the above-noted classifications. Investment companies are exempt from these accounting policies with respect to investments and are permitted under Accounting Guideline 18 of the Canadian Institute of Chartered Accountants ("CICA") to measure and report investments at fair value.

The Fund has designated its cash as held-for-trading, which is measured at fair value. Accounts payable, investor Notes and other liabilities are classified as other financial liabilities which are measured at amortized cost. The Fund has no embedded derivatives that need to be separately valued. Investments are measured and reported at their fair value.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and adjustments are reported in the Statement of Operations and Comprehensive Loss in the period in which they become known. The primary measurement uncertainty which may affect the reported amounts relates to the determination of fair values of other investments as described in the following pages.

Revenue recognition

Income from debt investments ("loans") is recognized as earned except if the investment is impaired. A loan is considered to be impaired if, as a result of deterioration in credit quality, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Any loan on which contractual payments are in arrears for 90 days or more is usually assumed to be impaired. Other factors that are considered in determining whether a loan is impaired are the overall credit quality of the borrower and the fair value of the underlying security. When a loan becomes impaired, recognition of interest income ceases. Income from equity investments is recognized when received.

Saskatchewan Government Growth Fund III Ltd.
Notes to Financial Statements (continued)
December 31, 2009

The change in fair value of other investments during the year is included in the Statement of Operations and Comprehensive Loss. Fair values for other debt investments are determined by calculating the present value of the remaining payments under the loans. The discount rate used is based on the expected return at the date of the financial statements for a loan to an investee with similar risk characteristics. The discount rate is comprised of a base risk-free rate based on a Government of Canada bond with equivalent duration, a credit risk premium based on publicly-traded debt with a BBB credit rating, and an additional credit risk and liquidity premium based on the circumstances of the specific investee.

Fair values for other equity investments are determined by management on the basis of the expected realizable value of the investments as at the date of the financial statements if they were disposed of in an orderly manner over a reasonable period of time, discounted at a discount rate which is appropriate at the date of the financial statements to investments in similar companies. There is no active secondary market for many investments which are not publicly-traded, and there is considerable uncertainty and a potentially broad range of outcomes with respect to the future cash flows from these investments. Valuations of such investments are subject to a number of assumptions and uncertainties that may cause actual values realized on disposal to differ materially from the fair value estimated at any particular time.

Future accounting policy changes

In February, 2008 the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Fund, will be required to adopt International Financial Reporting Standards ("IFRS") in place of Canadian Generally Accepted Accounting Principles (GAAP) for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures. The Fund's activities will cease when all investments have been divested. If the Fund is wound up prior to 2011, no IFRS conversion will be required. It is unlikely that the Fund will be wound up prior to 2011. Accordingly, the Fund will commence an IFRS conversion project including initiating the development of a high level IFRS implementation plan and preparation of a detailed review of major differences between current Canadian GAAP and IFRS.

At this time the impact on the Fund's future financial position and results of operations is not reasonably determinable. However, based on the analysis to date the most significant area of difference relates to financial statement disclosures.

3. Provisions of the IIP

Minimum holding period and maturity of the Notes

A Note is issued to evidence receipt of the full subscription amount on the date that at least 70% of the subscription amount has been invested in eligible businesses. Each Note is scheduled to mature five years from such date, provided the Fund maintains at least 70% of the Note continuously invested in the active business operations of eligible businesses for

Saskatchewan Government Growth Fund III Ltd.
Notes to Financial Statements (continued)
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five years following the issuance date. The IIP contains provisions which require that the maturity date of a Note be extended if, and for such period that, a minimum of 70% of the Note amount ceases to be invested in the active business operations of eligible businesses.

4. Other investments

	2009	2008
Equity instruments, Level 3 financial instruments	**$ 3,052,284**	$ 3,052,284
Adjustment to fair value	**(3,015,348)**	2,346,711
Carrying value, Level 3 financial instruments	**$ 36,936**	$ 5,398,995

During the year, Level 3 financial instruments changed as follows:

	2009	2008
Balance, beginning of year	**$ 5,398,995**	$ 7,000,786
Losses recognized in net loss	**(5,362,059)**	(1,601,791)
Balance, end of year	**$ 36,936**	$ 5,398,995

5. Commission payable

According to the terms of a marketing agreement entered into by the Fund, a commission is payable to the independent marketing agent selling the Note upon issuance of the investor's immigrant visa.

6. Subscription deposits

Subscription deposits represent partial deposits on Notes received prior to 1997 which have not yet been refunded to investors. The Fund was closed to deposits in 1997 and investors who have made partial subscriptions have no right to complete their subscription.

7. Investor notes

Investor notes represent the Notes issued to investors of the Fund. The Notes help to satisfy a portion of investors' visa requirements under the IIP. Interest to the maturity date of Notes is accrued at an annual rate of 2% from the date of Note issuance and is paid annually on December 31 until maturity and at maturity. The balance at December 31 is:

	2009	2008
109 Notes	**$ 9,265,000**	$ 9,265,000

All Notes have matured. The balance is comprised of 109 unsecured subordinated Notes with a remaining principal balance of $85,000.

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Notes to Financial Statements (continued)
December 31, 2009

The Notes are subordinate to all other liabilities of the Fund and repayment is dependent on the proceeds on liquidation of investments and other available liquidity in excess of other liabilities.

As a result of differences in the timing of proceeds from investments and scheduled maturities of Notes, the Fund set repayments on each Note at its maturity, beginning in January 2002, at $150,000. In 2003, this amount was increased to $160,000 with a further increase to $165,000 in 2004. Based on the current outlook for the disposal of the remaining investments held by the Fund, it is unlikely that the Fund will be able to repay the full remaining principal amount of the Notes.

8. Share Capital

The authorized common share capital of the Fund at December 31 is:

Class A common shares – an unlimited number of voting common shares. Holders of these shares are not entitled to receive dividends.

Class B common shares – an unlimited number of voting common shares. Holders of these common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

	2009	2008
2,000 Class A common shares	**$ 2,000**	$ 2,000

9. Financial risk management

The Fund's primary business was the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This investment activity entails exposure to market risk, including currency, interest rate and other pricing risks, credit risk, liquidity risk and capital risk. These risk factors may impact upon the Fund's ability to repay its Notes at maturity. These risk factors are described below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. While the Fund invests only in Canadian-dollar denominated investments, thereby matching the currency of its Notes, investee companies may be exposed to fluctuations in currency rates because of sales denominated in foreign currencies. Interest rate risk is the risk that the Fund's earnings will be affected by fluctuations in interest rates. Other price risk includes other factors that affect market prices, other than currency and interest risk. This may include the ability of an investee company to profitably distribute its products. Most of the companies

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in which the Fund invests are dependent upon a single product or industry. The Fund manages this risk through careful due diligence prior to committing funds to the investment and by diversifying its investments across various industry sectors. In general, if market risks adversely affected the value of investments by 10%, net income and amounts available to repay Notes would be reduced by approximately $3,700, and alternatively favourable effects would increase net income and amounts available to repay Notes by the same amount.

Credit risk

Credit risk is the risk that a counter party will fail to discharge its obligations. Concentration of credit exposure may arise given that the Fund restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to a similar general economic environment. The Fund conducts thorough due diligence prior to committing to an investment and actively monitors the financial health of its investees on an on-going basis. The Fund has no investments in debt instruments and therefore has no exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in liquidating its investments at the time it is required to repay its Notes. Due to the nature of some of the Fund's investments, the timing of cash flows from its investments may not exactly match the payments owing under the Fund's Notes. The Fund carefully monitors the duration of its investments. However, timing differences may require the Fund to reduce or delay the payments owing on Notes at maturity. As a result of investment losses, it is unlikely that the Fund will be able to repay the full principal amount of Notes.

Capital risk and disclosure

Capital risk is the risk that the Fund will not have access to capital to finance its operations. The Fund has no sources of capital from which to draw on in the event that the proceeds of investments are insufficient to repay Notes. The Fund is not subject to externally imposed capital requirements.

Fair value – investor notes

No secondary market for the Notes exists. Due to the unique features associated with the Notes, the calculation of a fair value with appropriate reliability is impractical. The risk factors that affect the fair value of investments, as described above, also affect the fair value of investor notes. Repayment of these Notes at maturity is dependent upon the value and liquidity of investments at that time.

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Notes to Financial Statements (continued)
December 31, 2009

10. Administration

Under the terms of a management agreement between the Fund and Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of the Fund with the assistance of a manager that performs fund administration and investment management together with several investment subadvisors. SGGF Management Corporation does not guarantee the financial performance of the Fund. Services provided to the Fund are charged on a fee for service basis. Effective March 31, 2009, Management Corporation was wound up into Crown Investments Corporation of Saskatchewan ("CIC") and CIC assumed the responsibilities of Management Corporation under the management agreement. Prior to April 1, 2009, all administration costs were billed by Management Corporation to the Fund. Subsequent to March 31, 2009, the Fund directly incurred its costs of administration with the exception of fees paid to the manager which are paid by CIC and reimbursed by the Fund. Administration costs incurred by the Fund, including those billed by CIC subsequent to March 31, 2009 and by SGGF Management Corporation prior to April 1, 2009 are as follows:

	2009	2008
Manager's fees	$ 67,513	$ 100,157
General administration	490	2,003
Directors' fees and expenses	907	3,477
Legal and professional	13,289	19,734
	$ 82,199	$ 125,371

11. Income taxes

A provincial Crown corporation, CIC (prior to April 1, 2009, SGGF Management Corporation), owns all of the issued shares of the Fund. Therefore, the Fund is exempt from income taxes.

12. Related party transactions

Included in these financial statements are amounts resulting from transactions with CIC subsequent to March 31, 2009 and by SGGF Management Corporation prior to April 1, 2009 pursuant to a management agreement referred to in note 10. Routine operating transactions with related parties are recorded at agreed upon exchange amounts and settled under normal trade terms. Total fees charged to the Fund by CIC and SGGF Management Corporation amounted to $74,433 (2008 - $125,371). Total fees payable to CIC at December 31, 2009, and included in the above, are $2,147 (2008 - $6,358 payable to SGGF Management Corporation).

13. Contingencies

The Fund indemnifies contracted parties in connection with services provided. From time to time the Fund or such parties may be defendants in litigation. It is not possible to predict the ultimate outcome of any outstanding litigation or estimate any costs which might result.

FIVE YEAR FINANCIAL SUMMARY (UNAUDITED)

Financial Position (thousands of dollars)

December 31	2009	2008	2007	2006	2005
Assets					
Cash	$ 129	209	325	434	127
Publicly-traded and short-term investments	-	-	-	-	303
Other investments	37	5,399	7,001	10,829	10,656
Other assets	-	-	-	-	4
Total assets	$ 166	5,608	7,326	11,263	11,090
Liabilities and Equity (Deficit)					
Investor notes	$ 9,290	9,290	9,290	9,290	9,290
Other liabilities	43	42	41	255	258
Equity (deficit)	(9,167)	(3,724)	(2,005)	1,718	1,542
Total liabilities and equity (deficit)	$ 166	5,608	7,326	11,263	11,090

Operating Results (thousands of dollars)

Years ended December 31	2009	2008	2007	2006	2005
Revenues					
Investment income	$ -	-	-	5	53
Interest from cash and publicly-traded and short-term investments	1	8	17	17	14
Other income	-	-	-	-	3
	1	8	17	22	70
Gains (losses) realized on disposal of investments	-	-	1	118	(248)
Adjustment to fair value	(5,362)	(1,602)	(3,828)	189	5,234
Net revenue	(5,361)	(1,594)	(3,810)	329	5,056
Expenses					
Administration	82	125	(87)	153	321
Financing	-	-	-	-	1
Total expenses	82	125	(87)	153	322
Net (loss) income	$ (5,443)	(1,719)	(3,723)	176	4,734

Note: Effective January 1, 2006, amounts for prior periods were restated to reverse the accrual of interest on Notes after maturity.